

Message Text

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ACTION TRSE-00

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C O N F I D E N T I A L SEOUL 3966

E.O. 11652: GDS
TAGS: ECIN OTRA
SUBJ: FINANCE MINISTER'S DISCUSSION WITH TREASURY ASSISTANT
SECRETARY BERGSTEN

1. ASSISTANT MINISTER OF FINANCE FOR INTERNATIONAL FINANCE
CHUNG IN-YOUNG INFORMED ECON/COMMERCIAL COUNSELOR THAT
MINISTER KIM YOUNG-HWAN HAD HAD A VERY USEFUL DISCUSSION
WITH ASSISTANT TREASURY SECRETARY FRED BERGSTEN AT THE ADB
MEETING IN VIENNA, WHICH FINANCE MINISTRY WISHED TO PURSUE.

2. IN RESPONSE TO THEIR REQUEST FOR A LIST OF TOPICS BEFORE
THE MEETING, CHUNG SAID TRADE, THE DOLLAR, AND POSSIBLE
ROK INVOLVEMENT IN THE OECD HAD BEEN SPECIFIED. HOWEVER,
OECD WAS NOT IN FACT ACTUALLY DISCUSSED.

3. INSTEAD, BERGSTEN REPORTEDLY ARGUED THAT THERE WAS A
NEW CATEGORY OF ECONOMIES, THE ADC'S OR ADVANCED DEVELOPING
COUNTRIES AS CONTRASTED TO THE LDC'S. HE COUNTED KOREA,
BRAZIL, MEXICO, SINGAPORE, TAIWAN, AND MALAYSIA IN THE
CATEGORY. THESE COUNTRIES ACCOUNTED FOR MORE THAN 50 PERCENT OF
LDC AND ADC EXPORTS AND THEIR SHARE WAS INCREASING. THE
USG EXPECTED THEM TO PLAY A GREATER ROLE IN PROVIDING AID TO
THE LDC'S AND ASKED FOR THE MINISTER'S VIEWS ON SUCH A ROLE.
BERGSTEN HAD SUGGESTED HE WOULD LIKE TO EXCHANGE VIEWS AT
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GREATER LENGTH, THROUGH THIS EMBASSY.

4. CHUNG SAID THE IMF HAD TAKEN A SIMILAR LINE AND THAT
HIS MINISTER TOOK THIS OVERTURE VERY SERIOUSLY BECAUSE HE
WANTED TO COOPERATE BOTH WITH KOREA'S OLD ALLY AND BENEFACITOR
AND WITH THE OTHER ADC'S WHICH HAD BENEFITTED SO MUCH FROM
WESTERN LIBERAL TRADE POLICIES. HE THEREFORE WANTED TO

CONTINUE THE DIALOGUE AS BERGSTEN HAD SUGGESTED.

5. CHUNG SAID THAT BERGSTEN HAD ALSO EXPRESSED THE HOPE THAT KOREA WOULD NOT MAKE THE JAPANESE EXCHANGE RATE ERROR OF UNDERVALUING ITS CURRENCY AND AS A RESULT, OVERINVESTING IN THE EXPORT SECTOR. KIM HAD RESPONDED THAT WON EXCHANGE RATE REVALUATION HAD BEEN CONSIDERED BY THE ROKG BUT WAS OBVIOUSLY NOT APPROPRIATE UNTIL IMPORT LIBERALIZATION AND TRADE PAYMENTS SIMPLIFICATION HAD BEEN FULLY CARRIED OUT.

6. CHUNG CLOSED BY NOTING THAT MINISTER KIM HAD BEEN INVITED TO SPEAK TO THE FAR EAST-AMERICAN COUNCIL OF COMMERCE AND INDUSTRY IN NEW YORK SOMETIME DURING THE PERIOD JULY 5-14. IF HE ACCEPTED, THE MINISTER WOULD ALSO PLAN TO VISIT WASHINGTON AND HOPED TO CALL ON THE SECRETARY OF TREASURY, IF HE WAS AVAILABLE DURING THE PERIOD OR DURING THE WEEK BEFORE OR AFTER. HE WOULD LIKE TO KNOW WHEN THE SECRETARY MIGHT BE AVAILABLE, AS HE COULD ADJUST THE DATE FOR THE SPEECH ACCORDINGLY.

7. WOULD APPRECIATE GUIDANCE.

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